



Agenda Date: 1/12/05
Agenda Item: VB

STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102
www.bpu.state.nj.us

IN THE MATTER OF THE PETITION OF
AQUA NEW JERSEY INC. FOR
APPROVAL OF A MUNICIPAL CONSENT TO
PROVIDE WATER AND WASTEWATER
SERVICE TO AREAS OF NORTH HANOVER
TOWNSHIP, TO ACQUIRE THE WATER AND
WASTEWATER SYSTEMS LOCATED IN
HANOVER MOBILE VILLAGE AND OTHER
REQUIRED APPROVALS

WATER AND WASTEWATER

ORDER

DOCKET NO. WE04050325

(SERVICE LIST ATTACHED)

BY THE BOARD:

By petition filed on May 5, 2004, Aqua New Jersey Inc. (Aqua or the Company), a public utility subject to the jurisdiction of the Board of Public Utilities (Board), requested Board approval of a municipal consent granted by North Hanover Township (Township), Burlington County, authorizing the Company to provide water and sewer service to certain areas of the Township. Aqua also sought the Board's approval to acquire all of the water system and sewer system assets of Hanover Village located in that part of North Hanover Village known as Hanover Village Mobile Home Park (Hanover Village). Hanover Village currently provides water and wastewater service to approximately one hundred (100) trailers.

By way of a resolution, the Township consented to the transfer of the water and wastewater systems from Hanover Village Associates, LLC (Hanover Associates) to Aqua. Said resolution constitutes the Township's municipal consent to the provision by Aqua of water and wastewater service to the designated franchise area owned by Hanover Associates.

After appropriate notice, a hearing on this matter, pursuant to N.J.S.A. 48:2-14, was held on November 30, 2004, at the Board's offices in Newark before Rachel Boylan, Esq., the Board's duly designated Hearing Examiner.

At the hearing, Aqua relied upon the testimony of Frank Simpson, a Vice President of Aqua whose responsibilities involve financial and regulatory matters, and John Lihvarcik, a Vice President of the Company whose responsibilities include bringing new systems on line. Mr. Lihvarcik stated that the water system, which delivers untreated water from two wells to the lots located in Hanover Village, served ninety-nine of the one-hundred lots in the mobile home park.

Mr. Lihvarcik testified that the Company would be installing water meters on each of the individual units, which the Company estimates use approximately one hundred and sixty gallons each per day. The witness further stated that the sewage treatment plant had overflowed on a number of occasions and that at a public hearing held on April 15, 2004, residents had voiced displeasure about the way the system was currently operated. Mr. Lihvarcik testified that Aqua plans to install a backup generator and to repair a number of sewer manholes to improve the system's ability to handle rainfall. Mr. Lihvarcik further stated that Aqua would be installing chlorination on the wells and that it had money appropriated for any water main improvements to the system deemed to be necessary. In response to a query from Board staff, the witness stated that the Company has previously acquired the assets of Deep Well Terrace Water System ("Deep Well") from Deep Well Terrace, a sole proprietorship operating a trailer park in the same municipality. The Company serves the residents of that trailer park pursuant to a municipal consent granted by way of a Superior Court order and a Board order approving the consent. Mr. Lihvarcik testified that Aqua intended to merge the daily operations of Hanover Village with those of Deep Well; the Aqua employee who currently operates Deep Well would also operate Hanover Village.

By letter dated December 13, 2004, the Division of the Ratepayer Advocate (RPA) indicated that it does not oppose the acquisition by Aqua of the Hanover Village assets, as the RPA believes that the Company has the managerial, technical, and financial resources that demonstrate its capacity to own, operate and maintain the Hanover Village system in a safe, adequate and proper manner.

The RPA further noted that upon transfer of the water and wastewater systems to the Company, Hanover Associates will reduce the monthly rental fee for residents of Hanover Village by \$55.00 per month, per lot, an amount slightly less than the estimated combined water and sewer charges. Hanover Associates has also notified its residents that all leases were put on a month-to-month basis effective July 31, 2004. The RPA also stated that approval of the petition should not include in Aqua's rate base specific assets that will be acquired as a result of the relief requested and that these assets should be addressed in the Company's next rate base proceeding.

After review of the record, the Board HEREBY FINDS that the consent granted to Aqua New Jersey Inc. by North Hanover Township in the form of the aforementioned Consent Order is necessary and proper for the public convenience and properly conserves the public interest.

The Board FURTHER FINDS that the criteria in N.J.S.A. 48:2-51.2 are satisfied in that:

1. The proposed acquisition will have no effect on competition as the water and wastewater systems that serve Hanover Village is a small, isolated system.
2. The proposed acquisition will not adversely affect rates to customers because the residents of Hanover Village will be charged rates that the Board found to be just and reasonable IN THE MATTER OF THE PETITION OF AQUA NEW JERSEY (F/K/A CONSUMERS NEW JERSEY WATER COMPANY) FOR APPROVAL OF AN INCREASE IN RATES FOR WATER SERVICE AND OTHER TARIFF CHANGES (Docket No. WR03120974, June 10, 2004).

3. The proposed acquisition will have no effect on employees of the Hanover Village systems because the systems are currently being operated by an outside contractor.
4. The proposed acquisition would have a beneficial effect on the provision of safe adequate and proper water and wastewater service to the residents of Hanover Village because:
 - a. Petitioner can provide financial stability and water and wastewater utility expertise; and
 - b. Petitioner, as a subsidiary of Aqua America, has access to additional managerial, technical, and financial resources that demonstrate the capacity of the Company to own and maintain the Hanover Village Systems in a safe, adequate and proper manner.

Accordingly, pursuant to N.J.S.A. 48:2-14 and N.J.S.A. 48:19-20, the Board HEREBY APPROVES the consent granted to Aqua New Jersey Inc. for the provision of water and wastewater service to the property owned by Hanover Village and the purchase of the Hanover Village water and wastewater systems and related approvals as sought in Aqua's petition.

In addition, the Board HEREBY DIRECTS that all water service provided in the new franchise area be billed at the level of those rates contained the tariff of Aqua New Jersey Water Company at Rate Schedule No. 1. The Board FURTHER DIRECTS that all wastewater service provided in the new franchise area be billed at the level of those rates contained in the tariff of Aqua New Jersey at Rate Schedule No. A.

The approvals granted hereinabove shall be subject to the following provisions:

1. This Order shall not be construed as directly or indirectly fixing for any purposes whatsoever the value of any tangible or intangible assets now owned or hereafter to be owned by Aqua;
2. This Order shall not affect nor in any way limit the exercise of the authority of this Board or of this State in any future petition or in any proceedings with respect to rates, franchises, service, financing, accounting, accounting for an acquisition adjustment, capitalization, depreciation, or in any other matters affecting Aqua.
3. Approval of this municipal consent ordinance does not constitute Board approval of any costs or expenses associated with this franchise extension. Any determination as to the appropriateness or reasonableness of the costs or expenses related to the franchise, including, but not limited to, the cost of construction, contributions in aid of construction, the cost of connection or any related capital improvements, and the allocation of such costs and expenses, shall be made in an appropriate subsequent proceeding.

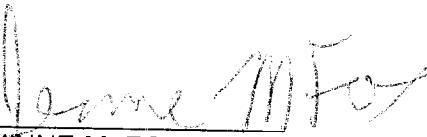
With respect to the State Development and Redevelopment Plan, the Board notes that it has adopted rules through which the Board intends to help achieve the goals of the State Plan to the greatest extent possible. The municipal consent which is the subject of this proceeding does not contravene either the Board's rules or the State Plan.


Although Hanover Village is located in Planning Area #4, which is not designated for growth, the mobile park already exists and is fully developed and the municipal consent is specifically for this mobile village. Service beyond this territory would require additional approvals from both the Township and the Board and would be subject to the Board's new rules governing extension of utility service. Therefore the Board FINDS that approval of the municipal consent is consistent with the State Plan.


DATED:

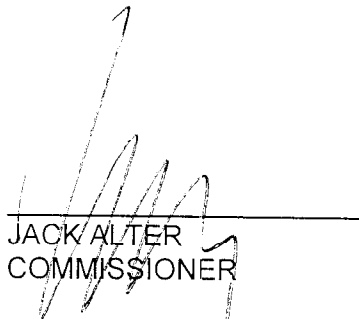
1/15/05

BOARD OF PUBLIC UTILITIES
BY:


JEANNE M. FOX
PRESIDENT


FREDERICK F. BUTLER
COMMISSIONER

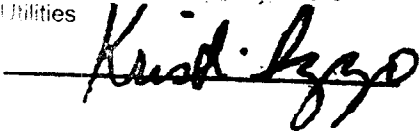

CONNIE O. HUGHES
COMMISSIONER


JACK ALTER
COMMISSIONER

ATTEST:


KRISTI IZZO
SECRETARY

I HEREBY CERTIFY that the within
document is a true copy of the original
in the files of the Board of Public
Utilities


KRISTI IZZO

**I/M/O the Petition of Aqua New Jersey Water Company
Docket No. WE04050325**

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